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Profitability Performance of Selected Automobile Companies in India

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Abstract

The automobile industry is one of the key drivers of India's manufacturing and service sectors, contributing significantly to GDP, employment generation and export earnings. In a highly competitive and cyclical market environment, sustained profitability has become critical for the long-term survival and growth of automobile firms. This study examines the profitability performance of selected Indian automobile companies over a defined period using secondary data sourced from published annual reports and financial databases. Core profitability indicators such as net profit ratio, operating profit ratio, return on assets, return on equity and earnings per share are computed, and supported by statistical tools including mean, standard deviation, coefficient of variation and trend analysis to evaluate stability and growth in profits. The analysis aims to identify inter-company differences in profitability, understand the factors influencing these variations, and assess whether the observed differences are statistically significant. Findings are expected to provide insights for investors, managers and policy makers on the financial strength, efficiency and value-creation capability of leading automobile companies in India, and to offer suggestions for improving profitability performance in the context of evolving market, regulatory and technological dynamics. Contributors to the growth of the Indian economy, contributing significantly to GDP, employment, and exports. Major companies such as Maruti Suzuki India, Tata Motors, Mahindra & Mahindra, Bajaj Auto, Hero MotoCorp, Eicher Motors, and TVS Motor Company dominate the sector. Profitability analysis evaluates a company's ability to generate earnings compared with its revenue, assets, and equity. The profitability performance of selected automobile companies in India is a critical area of study because the auto industry is a major growth engine for the Indian economy and a highly competitive, capital-intensive sector. The Indian automobile industry contributes around 7–7.5 percent to India's GDP and roughly 40–49 percent to manufacturing GDP, while generating several crores of jobs across its value chain. As India aspires to sustain high economic growth, the performance of leading automobile manufacturers such as Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Bajaj Auto, Hyundai and others gains special importance because their profitability influences investment, employment and technological upgradation in the sector.

Key words: Gross Domestic Product (GDP)

1. Introduction

The automobile industry is one of the key contributors to the growth of the Indian economy, contributing significantly to GDP, employment, and exports. Major companies such as Maruti Suzuki India, Tata Motors, Mahindra & Mahindra, Bajaj Auto, Hero MotoCorp, Eicher Motors, and TVS Motor Company dominate the sector. Profitability analysis evaluates a company's ability to generate earnings compared with its revenue, assets, and equity. The profitability performance of selected automobile companies in India is a critical area of study because the auto industry is a major growth engine for the Indian economy and a highly competitive, capital-intensive sector. The Indian automobile industry contributes around 7–7.5 percent to India’s GDP and roughly 40–49 percent to manufacturing GDP, while generating several crores of jobs across its value chain. As India aspires to sustain high economic growth, the performance of leading automobile manufacturers such as Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Bajaj Auto, Hyundai and others gains special importance because their profitability influences investment, employment and technological upgradation in the sector.

Need for profitability analysis Profitability analysis provides an integrated view of a firm’s overall performance, capturing how effectively it converts sales into profits and owners’ returns. Prior studies on selected Indian automobile companies have used tools like net profit ratio, operating profit ratio, return on assets, return on equity and DuPont analysis to examine trends and variations in profitability over time and across firms. These studies report that while some firms have experienced declining net profits or margin pressure, others have strengthened profitability through efficiency, product mix and prudent leverage, indicating heterogeneous financial health within the industry. In a context of rising competition, regulatory changes, electrification, and cyclical demand, assessing the profitability performance of selected automobile companies helps stakeholders evaluate sustainability of earnings and financial resilience. Such an analysis supports investors, managers and policymakers in making informed decisions on capital allocation, strategic positioning and policy support for the sector.

2. Objectives

- To analyze and evaluate the profitability performance of selected automobile companies in India using financial ratios and comparative analysis.
- To study the overall financial performance of selected automobile companies in India.
- To compare the profitability performance among selected automobile companies over a specific period.
- To provide recommendations for improving financial performance and profitability in the automobile sector.

3. Concept of Profitability Performance

Profitability performance refers to the efficiency with which a company generates profit from its business operations. It is usually measured using financial ratios such as:

- Gross Profit Ratio
- Operating Profit Ratio
- Net Profit Ratio
- Return on Assets (ROA)

- Return on Equity (ROE)
- Return on Capital Employed (ROCE)

These ratios help evaluate whether the company is effectively using its resources to generate profits.

4. Profitability Ratios of Selected Automobile Companies

A comparative analysis of selected Indian automobile companies using the DuPont model shows the following average performance:

Company	Net Profit Margin (%)	Asset Turnover	Equity Multiplier	Return on Equity (%)
Bajaj Auto	15.72	1.17	1.26	22.94
Eicher Motors	18.44	0.77	1.29	18.00
TVS Motor	4.74	1.81	2.38	20.63
Maruti Suzuki	6.78	1.26	1.34	11.58
Hero MotoCorp	9.77	1.47	1.40	20.07
Mahindra & Mahindra	5.76	1.00	1.65	10.26
Tata Motors	-2.42	0.83	2.79	-4.97

Interpretation

- **Bajaj Auto** shows the highest profitability with strong ROE and margins.
- **Eicher Motors** has a very high net profit margin but lower asset turnover.
- **TVS Motor and Hero MotoCorp** demonstrate balanced profitability and efficiency.
- **Maruti Suzuki and Mahindra & Mahindra** maintain moderate profitability.
- **Tata Motors** shows weaker profitability due to higher leverage and operational challenges.

Comparative Financial Performance Ranking

Based on overall financial indicators (liquidity, profitability, leverage, and efficiency), the ranking of selected automobile companies is:

- Bajaj Auto
- Eicher Motors
- TVS Motor Company
- Maruti Suzuki
- Hero MotoCorp
- Mahindra & Mahindra
- Tata Motors

This ranking indicates that two-wheeler manufacturers generally show stronger profitability compared to large passenger vehicle manufacturers because of lower capital requirements and higher margins.

Recent Profitability Trends

- Maruti Suzuki India improved operating margins to about 13% with net profit margin around 9.5%, reflecting strong domestic demand.
- Tata Motors has experienced fluctuating profits due to global operations and the performance of its luxury brand division.

- Mahindra & Mahindra has recently recorded strong profit growth driven by rising SUV sales and tractor exports.
- These trends indicate improving profitability across several firms due to growing automobile demand in India.

Factors Affecting Profitability

Major factors influencing profitability of automobile companies include:

- **Demand for vehicles** in domestic and export markets
- **Raw material costs** (steel, aluminum, semiconductors)
- **Capital intensity and technology investments**
- **Product mix** (SUVs, two-wheelers, EVs)
- **Operational efficiency and asset utilization**
- **Debt structure and financial leverage**

Selected Indian automobile companies like Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Bajaj Auto, and Hyundai Motor India have shown mixed profitability in recent quarters of FY26, building on strong FY25 annual results amid robust demand for SUVs and exports. These firms dominate the Indian auto market and align with prior analyses of their financial trends. FY25 Annual Highlights Maruti Suzuki achieved record net sales of ₹1,451,152 million and net profit of ₹139,552 million, up 5.6% YoY. Mahindra & Mahindra's consolidated revenue reached ₹1,59,211 crore with PAT up 20% to ₹12,929 crore. Tata Motors reported highest-ever consolidated profits, becoming net auto cash positive.

Q2 FY26 Profitability

Company	Revenue (₹ Cr)	YoY Growth	Net Profit (₹ Cr)	YoY Growth
Maruti Suzuki	42,344	-	3,349	-
Tata Motors	18,585	6%	(867) loss	From profit
Mahindra & Mahindra	45,885	22%	3,964	18%
Bajaj Auto	15,735	18.8%	2,122	53.2%
Hyundai Motor India	~16,000 (est)	-	1,572	14%

Q3 FY26 Updates

Maruti Suzuki's PAT rose 4.1% YoY to ₹3,879 crore on 28.7% revenue growth. Mahindra & Mahindra reported Q3 PAT up 54% to ₹4,675 crore (ex-labor code impact), revenue up 26%. Hyundai's 9M FY26 PAT reached ₹41,759 million with 7.9% margin. Strong SUV and export demand drove revenue, but costs, forex, and labor provisions pressured some margins like Tata's Q2 loss. Profitability remains resilient overall, with ROE high (e.g., Hyundai ~32% prior). EV investments and premium segments support FY26 outlook.

India's automobile sector has shown varied profitability performance among key players, with recent data indicating strong aggregate growth but challenges like EV transition costs and segment-specific pressures. A statement of the problem highlights the need to assess why some companies thrive while others lag, informing investment, policy, and strategy decisions. Profitability in India's auto industry fluctuates due to demand cycles, input costs, electrification shifts, and global factors like cyberattacks on export arms. Recent Q3FY26 projections show 22% revenue and 24% EBITDA growth for listed firms (ex-Tata Motors PV), driven by volume, pricing, and leverage. However, historical analyses reveal declines in net profit ratios for firms like Tata Motors amid rising competition.

Company Variations: Selected companies exhibit diverse trends,

- Maruti Suzuki, Mahindra & Mahindra, TVS Motor: Strong EBITDA gains from operating leverage and product mixes.
- Tata Motors: Weighed by Jaguar Land Rover issues despite domestic CV growth.
- Bajaj Auto, Eicher: High ROE (e.g., Bajaj at 22.94%) via efficiency. Older studies confirm Tata's net profit erosion versus Mahindra's gains.

Issue	Impact	Example Companies
EV Margin Pressure	Dilutes profitability despite volume	Most OEMs
Segment Recovery Pace	Uneven (PV strong, 2W rebounding)	TVS, Hero
Historical Volatility	Wide SD in ratios	Tata Motors

This underscores the problem: Despite sector momentum (e.g., 32% BSE Auto rally FY26), profitability disparities persist, risking misallocated resources without targeted analysis.

Profitability performance for selected automobile companies in India, plus a short comparative table and brief conclusions. I focused on headline FY26 / Q4 FY26 results reported in business press and industry analysis. Tata Motors reported a split performance: India passenger-vehicle operations showed strong revenue, volume and margin improvement while Jaguar Land Rover (JLR) materially dragged consolidated profit, causing a large year-on-year decline in consolidated net profit for Q4/FY26.

Mahindra & Mahindra (M&M) reported robust auto and farm-sector performance with a sizeable rise in consolidated PAT in recent quarters (Q3 FY26) driven by auto strength. Force Motors delivered record revenue and sharply higher profitability in FY26/Q3 FY26, reporting large year-on-year increases in PAT and EBITDA on higher volumes and improved margins. Industry analysis shows OEM margins have been under pressure globally, with average OEM margins falling significantly by late 2025—illustrating macro/structural headwinds for automakers and uneven recovery across firms. India Inc overall: revenues broadly grew in Q4 FY26 while profitability weakened due to higher input costs, currency and geopolitical pressures—this trend influenced automotive players too.

Tata Motors: consolidated Q4 revenue rose but consolidated net profit fell ~31.7% year-on-year; India PV division reported record sales, higher EBITDA and EBIT margins while JLR volumes and margins weakened, weighing on group profitability. Mahindra & Mahindra: reported a 38.5% jump in consolidated PAT in Q3 (Dec quarter) driven by strong auto and farm performance, indicating healthy near-term profitability in core India operations.

Force Motors: reported its highest-ever revenue and profitability for FY26 and a Q3 PAT up ~266% YoY to ₹403 crore; EBITDA and operating leverage improved substantially.

Comparative view

Company	Recent PAT / Margin trend	Primary driver
Tata Motors	Consolidated profit down sharply; India PV margins improving, JLR dragging group margins	Strong India PV volumes and pricing; JLR volume, tariff and model-cycle issues
M&M	PAT jumped (Q3 FY26); margin improvement in core segments	Strong auto & farm demand, operational leverage
Force Motors	Record revenue and profitability; large YoY PAT growth	Volume growth across platforms, improved operating leverage
Sector (OEMs)	OEM margins under pressure globally; supplier margins steadier	Macroeconomic volatility, cost pressures, model cycles

Companies with concentrated exposure to India domestic demand and recent successful new products (e.g., Force Motors, M&M's India businesses) show clearer profitability improvement. Diversified groups with large global luxury or JV exposure (Tata Motors with JLR) can show divergence: strong domestic margins but weak consolidated results when overseas units face headwinds. Structural industry pressures (chip/commodity costs, market softness in key export markets) are compressing OEM margins overall, so company-level execution and product mix matter more than before. Tata Motors' India passenger-vehicle business delivered record sales and higher EBIT/EBITDA margins in Q4 even as consolidated net profit fell because JLR's revenue and margins declined this is a clear example of a domestic profit engine offset by an underperforming international subsidiary.

- A focused table with exact FY26 or Q4 numbers (revenue, PAT, EBITDA margin) for a custom list of companies (I can compile those figures).
- A short chart comparing YoY PAT changes for 4–6 companies.
- Deeper drivers analysis for one company (e.g., Tata Motors or M&M).

5. Conclusion

The profitability performance of Indian automobile companies varies widely depending on their product segments and financial structures. Two-wheeler companies such as Bajaj Auto and Eicher Motors generally exhibit stronger profitability due to higher margins and efficient operations. Passenger vehicle manufacturers like Tata Motors and Mahindra & Mahindra face greater capital requirements and market volatility, which can impact their profitability. Overall, the Indian automobile sector remains profitable and continues to grow with increasing vehicle demand, technological advancements, and expansion into electric vehicles.

Tata Motors Q4/FY26 showed strong India passenger-vehicle margins and volume growth but consolidated profits were pulled down sharply by Jaguar Land Rover (JLR); consolidated net profit fell about 31–32% in the March quarter largely due to JLR headwinds, while India PV EBITDA and EBIT margins improved meaningfully in FY26. Mahindra & Mahindra (M&M) reported strong profitability in recent quarters with a notable jump in consolidated PAT driven by robust automotive and farm-sector performance (a ~38% PAT increase reported for Q3/FY26), indicating healthy margin recovery for its auto division.

Commercial vehicle and supplier landscape OEM margins across the global automotive sector have been under pressure since 2023, with OEM margins falling sharply (OEM average margins were reported near low single digits in late 2025) while supplier margins have been more resilient, showing higher stability and outperformance versus OEMs. Selected auto component players several listed suppliers (examples cited in recent filings) reported double-digit revenue growth and stable net profit improvements in FY26 quarters, reflecting aftermarket/industrial demand resilience even when OEM margins compressed.

Global headwinds and JLR exposure currency, tariffs, weak China demand and program-related charges materially dented profits for India-headquartered groups with global luxury operations; this explains Tata Motors' consolidated weakness despite a strong India PV business. Product mix and EV transition costs many OEMs face margin pressure from EV investments, model transitions, and in some cases program cancellations or write-offs that depress adjusted margins at group level. Domestic volume growth and localis

ation firms with strong domestic volume growth and higher localisation (e.g., India PV operations) have been able to expand underlying EBITDA margins even while consolidated results remain volatile due to overseas operations. Supplier resilience component makers have shown more stable margins than OEMs in recent quarters, helping the supplier cohort outperform in margin terms. A two-page comparative note with a table of key metrics (revenue, EBITDA margin, EBIT margin, PAT change YoY) for 4–6 selected companies (Tata Motors, M&M, TVS Motor, Maruti Suzuki, Bosch/leading supplier), with short bullet drivers for each.

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